

Holding Owners Accountable For Blighted Properties

August, 2013

The problem we face: Omaha has a serious and growing problem with deteriorating and abandoned properties. This problem has a long history and complex roots. Omaha Together One Community (OTOC) has worked with the Mayor and City Council for several years to improve the process and resources available for housing code enforcement. OTOC recently worked with Habitat for Humanity and others to support authorization of a Land Bank for Omaha by the Unicameral as a means by which to develop some new solutions. In addition to actually establishing the Land Bank in a timely manner, OTOC believes the Mayor and City Council need to: (1) add a 10th Housing Code inspector; (2) provide the resources for the demolition of at least 100 condemned structures each year; (3) and develop and adopt enforcement policies which reduce the number of buildings which deteriorate to the point where they are abandoned by the owner and the city must step in to demolish.

Condemned buildings plague communities all over our City:



District 1



District 2

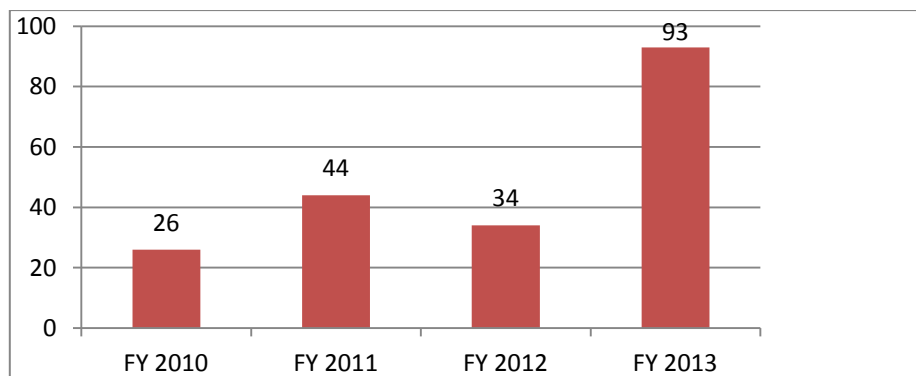


District 3



District 4

Funding for demolition of condemned buildings: Since 2009, Omaha Together One Community (OTOC) has consistently advocated that the City of Omaha increase funding for demolition. Last year OTOC and others convinced the Mayor and City Council to increase demolition funding by \$500,000 to a total of \$840,000 in 2013. At a May 6, 2013 Candidate Accountability Session, 350 OTOC leaders asked five candidates who were ultimately elected to City Council to increase total demolition funding to \$1 Million for 2014 and future years until the city can reduce the enormous backlog of condemned, abandoned properties. OTOC is pleased that Mayor Stothert has proposed to spend \$957,000 on demolition in 2014—maintaining the \$500,000 increase that was committed in 2013 and actually adding another \$100,000 over the 2013 total during a tight budget year. As a result of the increase in funding for 2013, the City of Omaha and Habitat for Humanity (using city funds) have been able to demolish or contract for the demolition of 93 structures so far in 2013, almost as many as the total of 104 which were demolished over the previous three years:



Funding demolition from the City General Revenue Budget. Between 2009 and 2012, the City of Omaha spent only \$366,000 in city general funds for demolition. The rest of the demolition funds came from the City's allocation of federal Community Development Block Grant (CDBG) funds which must be used only in specific areas of Northeast and Southeast Omaha. By committing \$500,000 in general revenue funds for both 2013 and 2014, the Mayor and Council are allowing City staff to demolish dangerous buildings in a broader area of the city.

Omaha Together One Community (OTOC)

Prior to this year, 84% of the demolitions were in Northeast Omaha (District 2) while 16% were in the rest of the city. So far in 2013, only 63% are in Northeast Omaha (District 2) while 37% of the demolitions are in other parts of the city.

	<u>Demolitions</u> <u>2010—2012</u>	<u>% of</u> <u>total</u>	<u>Demolitions</u> <u>2013</u>	<u>% of</u> <u>total</u>
District 1	0	0%	1	1%
District 2	87	84%	59	63%
District 3	11	10%	14	15%
District 4	<u>6</u>	6%	<u>19</u>	20%
	104		93	

The Growing Problem of Condemned and Abandoned Buildings

- Despite the increase in funding for demolition in 2013 that will take down about 90 dangerous structures this year, the number of condemned structures is creeping up each year. *(There are currently 770 condemned structures in the City of Omaha waiting for demolition, up from about 700 during 2012.)*
- The list is longer because public funding for demolition hasn't kept pace with the growing number of unsafe buildings that need to be removed. *(Between 2009 and 2012, on average the City of Omaha annually tagged 217 structures for demolition and funded the removal of only 36 condemned buildings.)*
- While some responsible owners pay to demolish their condemned buildings, many others abandon their property and don't pay the taxes or the cost of demolition.
- When the City of Omaha pays to demolish a condemned building it files a lien against the private property. According to figures from 2008, nearly 75% of the City of Omaha's demolition liens are delinquent. Unpaid demolition liens on tax delinquent property are stripped off when the vacant land is sold years later in a tax foreclosure sale.

Deteriorating Properties

- The problem is much larger than the 770 buildings on the city demolition list. The City of Omaha has identified over 3,800 structures that are unsafe or unfit for occupancy. How many of these are headed for the demolition list, or with more housing inspectors, how many of these buildings would already be on it?
- According to analysis in 2012, about 70% of these major code violations are in rental properties.
- Housing inspections occur when someone complains about a specific property. Housing inspectors determine if there is a code violation and work with the owner to remedy the problem. For the past three years, OTOC has asked and council has approved funding for a 10th Omaha housing inspector but the actual number of inspectors on staff has remained fixed at 9. The 2014 proposed budget funds only 9 inspectors and OTOC asks the Mayor and Council to fund and actually hire the 10th inspector for 2014.
- Citizen requests for housing inspections in June and July, 2013 increased by nearly 47% over that same period in 2012, making each inspector handle an average of 24 new cases each month and 425 open cases where violations have already been found.
- Even with the increased level of demolition funding and the greater use of general revenue funds, it will take many years to remove the current backlog of condemned buildings, given the rate at which new properties are condemned each year.

Without a change in City code enforcement practices and policies, many owners of blighted properties will continue to abandon them and burden taxpayers with the cost of securing and ultimately demolishing their vacant buildings.

OTOC asks, "Why are we allowing some land owners to abandon their properties and shift the cost of securing and demolishing these structures onto taxpayers?"

Omaha Together One Community (OTOC)

Possible solutions: OTOC believes that the City of Omaha should adopt ordinances and policies that encourage owners to maintain, rather than abandon, their properties and take responsibility for the costs of securing and demolishing them when they are vacant and deteriorated.

Pilot Project: To identify and test the best solutions for Omaha, we are asking that a small pilot project be undertaken focused on ten property owners who are indebted to the City for costs associated with their abandoned properties. The criteria for selection of the ten owners should be based on the size of their debt to the City and the likelihood of successful collection. The focus should be on the largest landowners who are indebted to the City for costs incurred to maintain, secure and demolish their abandoned properties.

Role of the Land Bank: Omaha is currently taking steps to establish a municipal land bank to address the problems caused by vacant, abandoned and tax-delinquent properties. City policies that hold owners financially accountable for blighted properties would make a land bank more effective in its mission to return these properties to productive use. The Omaha land bank will be most effective when it is able to acquire a property at the earliest stage in its process of decline-before demolition is the only option and before the property is caught up in the lengthy tax delinquent foreclosure process in Nebraska. Under current code enforcement policies, owners who have abandoned their properties will have little financial incentive to cooperate and voluntarily transfer property to the land bank. Policies and practices of the City should **first** encourage owners to maintain and reinvest in their properties, and **second**, voluntarily transfer ownership to the Land Bank as soon as the owner is no longer able or willing to be responsible for the property.

Policies to investigate for Omaha

The following is a description of policies implemented by other cities with budgetary challenges that constrain public funding for blighted properties. These cities have turned their attention to policies that (1) encourage owners to take more financial responsibility for vacant properties and (2) aggressively seek reimbursement for expenditure of public funds used to maintain/secure/demolish privately owned blighted property.

A. Vacant Property Registration Ordinances (Minneapolis, Albuquerque, Cincinnati, Wilmington, Chicago) A vacant property registration ordinance helps track property owners, encourages a minimum level of property maintenance and recovers some portion of the costs incurred by the municipality to deal with vacant properties.

Chicago has one of the most comprehensive vacant property laws in the nation. In 2008, the City's Vacant Building Ordinance was amended to create more stringent security standards, harsher penalties for irresponsible building owners, and increased opportunities for the City to inspect vacant buildings. All vacant buildings must be registered with the City and owners pay a \$250 registration fee every six months. Building owners can avoid increased fees by remaining in compliance. Buildings that do not comply can be declared a public nuisance, providing the City another avenue to force absentee owners to sell or lose their properties.

B. Civil Judgments (Philadelphia, Cincinnati, Ohio)

In some cities, a civil lawsuit is filed in court seeking a personal judgment against the property owner to recover fines and liens arising from code violations, as well as costs incurred by the city to secure, maintain or demolish the blighted property.

A personal judgment against the property owner allows a city to seize the owner's personal property and garnish wages to satisfy the judgment. Civil judgments against owners may appear on their credit reports and adversely affect the owners' credit score.

Philadelphia is now enforcing a "doors and windows" ordinance that allows courts to fine owners \$300 per day for each structural opening that is not covered with a functional door or window. The City may seek a personal judgment against the owner to collect these fines, along with costs incurred by the City to remedy other code violations.

In 2006, Cincinnati raised fees from a flat \$300 annually to \$900 for buildings vacated for less than one year, \$1,800 for buildings vacated for between one and two years, \$2,700 for buildings vacated between two and five years, and \$3,500 for buildings vacated over five years. If fees are left unpaid, the City can seek a personal civil judgment against the owner to collect them.

C. Require a business license from owners in the rental property business that can be revoked after multiple code enforcement violations. (Minneapolis, Philadelphia)

Multiple landlords doing in business in Omaha have properties on the City's demolition list. In some cases, rental properties abandoned by these landlords have been demolished using taxpayer funds. These landlords currently suffer no repercussions when they extract all of the value out of their rental property and shift onto taxpayers the cost of securing and demolishing their dilapidated properties.

Minneapolis requires landlords to obtain a business license that can be revoked for failure to maintain their rental property. In Minneapolis, a rental license for a property can be revoked for failure to maintain the property and an owner who has had two or more licenses revoked is ineligible to hold a rental license for a period of five years.

D. Require lenders with a mortgage on property to secure and maintain it.

Chula Vista CA enacted an ordinance requiring lenders with a mortgage on property to secure and maintain the property against vandalism and deterioration. It also requires that the lenders register the property with the City (and pay a \$70.00 fee), hire a local property management/maintenance company to maintain it, and post their name and contact number on it. There are significant fines for non-compliance.

E. Eminent Domain (Newark)

Many cities have the authority to exercise "spot blight" eminent domain to take ownership of individual abandoned properties. In Newark, where they have used this process, roughly one-third of all of the owners of vacant, abandoned properties rehabilitate them and put them back into use rather than risk having the city take the property.

Conclusion

OTOC calls on Mayor Stothert and the Omaha City Council to: (1) provide funding for a 10th Housing Code inspector for 2014; (2) adopt the Mayors' proposed budget allocating \$957,000 for demolition this year and provide for at least this amount in future years until the number of condemned buildings is substantially reduced; (3) and develop and adopt enforcement policies to reduce the number of buildings which deteriorate to the point where they are abandoned by the owner and the city must step in to demolish.